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lodging

INDUSTRY

Laventhol & Horwath
Certified Public Accountants

1986 Edition

11TH ANNUAL REPORT ON HOTEL OPERATIONS

FLORIDA LODGING INDUSTRY

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COMMENTS FROM AROUND THE STATE

From Fort Lauderdale

This sector posted one of the strongest market growth performances of any measured by L&H's Miami office in several years. The opening (or reentry) of several major properties in the market area appeared to be absorbed without any substantial market occupancy declines. Area occupancy actually improved from 58 percent to 62 percent for the year, with average rates remaining at $56 for both 1984 and 1985.

The opening of the more than 600-room Marriott Harbor Beach and the reopening of the renovated Pier-66 represent the primary supply changes in Fort Lauderdale for 1985. But the Cypress Creek and western Broward County areas appear to be major growth sectors in 1986. Major franchises under development with openings scheduled during 1986 include: Marriott, Embassy Suites, Hilton, Radisson, Hampton Inns, Hawthorne Suites and other local area chains. The impact is expected to be moderate, with the market area expanding substantially in both area office absorption and the relocation of many new firms from northern areas of the country.

Once again, improved average rates are necessary for increased profits in 1986. The market has been hesitant to accept wholesale changes in rates and has kept market area performance unchanged from 1984. Operators expect a strong season coupled with less discounting in group rates. A growth rate of 5 to 7 percent would be well received by the managers of Fort Lauderdale properties.

M. Chase Burritt
Miami

From Jacksonville

The lodging industry in the greater Jacksonville area continues to remain relatively strong, although growth areas are beginning to level out as new hotel supply enters the market. One of the greatest growth areas, Baymeadows, continues to attract hotel developers. Facilities opened in 1985 included the 210-room Park Suite Hotel on Baymeadows Road and the 124-room Skylight Inn west of Interstate 95 (I-95). The 110-room Best Inn experienced its first full year of operation, as did the Ramada Inn Conference Center in Mandarin. At the intersection of J. Turner Butler Boulevard and I-95, just north of Baymeadows, the 256-room Marriott Hotel is under construction. A 112-unit Residence Inn is also being planned for the Baymeadows area, and Hyatt Hotels is rumored to be examining the potential for a "Hyatt-200" in the Butler/Baymeadows area.

The beachfront market remains stable, with no major additions to the supply of hotel rooms. The downtown market, like the beachfront, also remains stable. The proposed 350-room Omni Hotel is not yet under construction, although initial groundwork is complete. Also, in the downtown Jacksonville area, the development of the new convention center is progressing; officials expect it to open in late 1986.

To the east of downtown, the Thunderbird Hotel is under new ownership and its managers plan to obtain a Quality Inn franchise on completion of major renovations.

In the airport area, the 156-room addition to the Holiday Inn is under construction, and a 120-room Hampton Inn is now being built adjacent to the Holiday Inn.

In the west Jacksonville area, the former Holiday Inn Stockton has been converted to an Econo Lodge, and a 150-unit economy-oriented property is being planned by a local developer near the I-295/Lane Avenue interchange. Outside of these additions, the west Jacksonville lodging market has remained stable.

Overall, the greater Jacksonville lodging market remains relatively strong, although the full effects of recent additions have yet to be determined.

Chris Burr
Chuck Ross
Tampa

From Key West

An analysis of local lodging markets indicates the Florida Keys, and Key West in particular, had an improved year during 1985 compared with 1984. Area occupancies were reported above 80 percent with market area rates exceeding $100 in the major hotels throughout the region. The most common factors noted for this extraordinary performance were a moderate level of available rooms to service the demand and improved domestic tourism activity in both numbers and expenditures.

Major additions to the area supply are expected in 1986. The existing Pier House and Marriott's Casa Marina will have new competitors in the Ocean Key House, the Reach, the renovated historical La Concha on Duval Street, and several other proposed franchises on waterfront and inland locations throughout Key West.

Such major changes in such a small base supply of guest rooms are expected to impact the market area. While the new supply is expected to be absorbed by 1987 or 1988, a more competitive market will exist for the near term in the Key West area. However, Marathon and other areas of the Florida Keys remain markets that may present development opportunities for certain lodging products.

M. Chase Burritt
Miami

From Miami

Downtown area properties performed well in 1985, with strong expectations for growth in 1986. Area hotels reported a market area occupancy of over 61 percent for 1985 versus 54 percent for 1984, a major improvement. Average room rate was virtually unchanged from 1984, at approximately $55, a disappointment for most downtown properties.

Discussions with area managers indicate improved performance for 1986. With all major operators anticipating improved occupancy in 1986, concentration on increasing average room rates appears to be foremost in their marketing plans. The recent absorption of over 2,500 rooms subsequent to 1983 had depressed downtown rates for the last two years.

The optimism that pervades the outlook for 1986 appears to be the result of major projects underway, such as Rouse's Bayside, a major downtown retail renewal, and the improved acceptance of area events such as the Miami Grand Prix and Orange Bowl festivities. Commercial demand continues to improve with over two million feet of office space recently completed.

M. Chase Burritt
Miami

From Miami Beach

Miami Beach properties registered an improved performance in 1985, yet not as strong as area operators would have preferred. Those properties contributing to L&H's *South Florida Trend of Business* reported a year-end performance of 59 percent compared with a 57 percent occupancy in 1984, a strong showing considering the Miami Beach's performance during the last few years. Average rate was up to $79 for 1985 over a $76 performance last year. This is an improving trend and one of the highest average rates in South Florida. The main factor influencing the improved rate performance appears to be the willingness of domestic tourist demand to pay top dollar.

There are no factors on the horizon in 1986 to indicate any real decline in Miami Beach lodging performance. Expectations for moderate occupancy growth with real (over inflationary changes) average rate growth appear supportable by area operations and demand strength. Anticipated increases in group demand will have to wait until 1987-1988 when the expanded (and recently fully funded) Miami Beach Convention Center will open with over 500,000 square feet of first-class convention space.

M. Chase Burritt
Miami

From Ocala

Lodging facilities in the Ocala area are concentrated in three market sectors: Interstate 75, central Ocala/downtown and Silver Springs. The majority of room-night demand in the Ocala area is captured by the Interstate 75 properties that cater to commercial travelers and transient tourists. The market area occupancy in 1985 was estimated to be 71 percent, and average room rate was estimated to be $31. This represents an 8 percent increase in average room rate compared with 1984. Occupancy in 1985 was stable when compared with 1984 levels.

Historically, Ocala hotels have accommodated significant overflow tourist room-night demand generated by Walt Disney World/EPCOT and other Orlando tourist attractions. Overflow room-night demand has decreased in the past several years due to recent room additions in the Orlando area. "Major event" weekends, such as horse sales and shows and University of Florida football games, are a significant source of destination tourist room-night demand. The majority of tourists are accommodated during the peak-season months from mid-January through the end of April. Commercial room-night demand should continue to increase at greater than historic levels due to increased commercial activity, particularly in the rapidly developing State Road 200 corridor.

As of January 1986, proposed new hotel developments include:

- A 200-room Hilton Inn, projected to open by 1988 at the Interstate 75/State Road 200 interchange.

Several other hotel projects are under consideration or planned for the Ocala area; their status, however, is uncertain.

Jane Morgan
Chuck Ross
Tampa

From Orlando

Starting in September 1984, we were continually asked these questions: Is the Orlando hotel market overbuilt? If so, what is the likely severity and duration? Our answer: Black Tuesday is only slightly gray.

Let's review what has occurred in the Orlando hotel market since we went on record in September 1984 saying things weren't so bad. It was then that we projected 1984 year-end results to be approximately 70 percent market area occupancy and average room rates approximating $47 to $49. Per L&H's Greater Orlando lodging *Trend*, actual year-end 1984 results showed market area occupancy at 69.2 percent and a $47.84 average room rate. The 1984 results were based on an estimated rooms inventory of 46,600 hotel rooms in the tri-county area (65 percent in Orange, 30 percent in Osceola, 5 percent in Seminole). Based on these facts and figures, we estimate that actual growth in occupied room-night demand was approximately 6 percent compared with the "abberation" of 1983. At the same time, the supply of new hotel rooms grew by approximately 16 percent over the 1983 inventory of approximately 40,100, which resulted in a net 8 percent decrease in estimate market area occupancy.

These 1984 numbers suggest that relative to other Florida markets, 1984 was a "healthy" year for the Orlando lodging industry.

What is the current situation? What are our projections for the near future?

Based on year-to-date November 1985 figures, we project that 1985 year-end occupancy for the greater Orlando area will be approximately 65 to 66 percent (last year at this time, we projected 62 to 67 percent for 1985) and the market area average room rate will be approximately $46 to $48. It appears that the major effect of the infusion of new rooms in the market has been to suppress rate increases due to the more competitive pricing in the market. The projected occupancy figures suggest that 1985 did not reflect an "unhealthy" year when compared with the previous six years as shown below:

Although we see 1985 at the bottom of the accepted "healthy" occupancy range, it's still not Black Tuesday.

A combination of factors has kept 1984-1985 occupancy levels relatively healthy despite the hotel building boom. These include:

- A certain level of "supply-induced" demand;

Greater Orlando Occupancies

1979	1980	1981	1982	1983	1984	Projected 1985
68.4%	70.0%	65.4%	71.3%	78.7%	69.2%	65-66%

- increasing length of stay;
- increasing convention activity, and
- increasing commercial/corporate activity.

The only negative demand factor during 1984-1985 was in the international tourist market segment. The strength of the dollar has limited both domestic and international travel to the Orlando area.

What has happened to the average room rates for hotels over the past year? As previously mentioned, the current surge in new hotel development has had a negative effect on market area average room rates during 1985. Starting in January 1985, we have witnessed monthly decreases in room rates in every month of 1985, with the exception of May 1985 (0.6 percent increase). This appears to have happened due to a combination of factors:

- The increased rooms inventory. Approximately 52,500 available as of July 1, 1985 and an estimated 55,000 by January 1, 1986 has increased competition, especially on the basis of price.
- An "explosion" of economy-oriented properties, both chains and independents, that have opened in 1985, causing a overall lowering of hotel room rates.
- Isolated "price wars" that started in November 1984 and have continued well into 1985.
- All the above factors have caused many operators to "push the panic button," and lower their room rates, if not keep them stable.

How much longer can the Orlando hotel industry remain "healthy" in terms of market occupancy and average room rates? This is always the most difficult to ascertain. The first task is updating our estimated future growth in hotel supply over the next several years. Without getting into individual detail, we estimate the 1986 year-end total to be around 59,000 available rooms, and by mid-1988, approximately 64,000 to 66,000 rooms, give or take a couple thousand. There are still several major hotel projects that are planned for development but cannot be confirmed in our estimates of future supply. Assuming growth in room-night demand will approximate 4 to 6 percent during 1986 and supply increases by approximately 7 to 9 percent, 1986 occupancy should be in the 60 to 65 percent range. Assuming 4 to 6 percent growth in demand in 1987, along with estimated 7 to 9 percent growth in supply, 1987 should fall in the 59 to 64 percent range, with growth in supply still outpacing growth in demand. By year-end 1988 and into 1989, we believe that demand growth will "catch up" with the new supply, bringing market area occupancy back to the mid-to-upper 60s, reflecting more of an equilibrium. Major demand growth factors in 1988-1989 include the opening of the Walt Disney Studio complex and the expected Phase II expansion of the Orlando Convention/Civic Center.

As for average hotel room rates during the next several years, we can only assume the general direction based on certain factors such as the expected national and local rate of inflation, the continued major increases in hotel rooms supply, the philosophy of Orlando hotel operators, changes in market segmentation, and the type of new hotels that will come on line during 1986-1988. At least two of these factors are virtually impossible to predict with any degree of certainty.

In retrospect, our prognosis regarding the future of the greater Orlando lodging industry hasn't changed a great deal from what we said in September 1984. Undoubtedly, there is a temporary oversupply of hotel rooms in the Orlando area, and this situation will most likely continue over the next two to three years. The more important issue is a positive one; that is, in the long term, Orlando will continue to be an exciting, growing metropolitan area in all aspects—tourism, commercial and corporate activity, and especially convention-related business.

Orlando's potential is tremendous, to say the least. The long-term benefits to the local lodging industry should be very favorable, as long as local hotel owners/operators maintain quality products that are aggressively marketed to their target markets and competently managed by professionals.

R. Gary Refrow
Chuck Ross
Tampa

From The Palm Beaches

The lodging industry in Palm Beach County fared well in 1985, with occupancy levels averaging nearly 68 percent at room rates of approximately $60. While occupancy increased by approximately 1 percent over 1984 levels, average room rates increased more than 10 percent.

1986 is expected to be another good year for the Palm Beaches. While utilization levels will vary among submarkets, preliminary estimates indicate that occupancies will hold despite the addition of several new properties in 1986 containing approximately 600 guest rooms. Moreover, area operators are optimistic about room rates, with expectations of increases ranging from 7 to 10 percent over 1985 levels.

These favorable conditions are expected to result from the correlation of several positive forces. Sustained cold weather throughout the northern part of the country has resulted in an early start to our traditional winter season, with most properties reporting bookings above expectations. The strong, sustained economic and commercial growth characteristic of recent years is expected to continue, evidenced by approximately 2.5 million square feet of office space under construction in 1985, representing an increase of approximately 34 percent over the existing inventory. This pace of commercial development will inevitably generate increased lodging demand. Moreover, new sources of demand are beginning to materialize. Promotional efforts of an aggressive Tourism Development Council, barely three years old, should produce positive results in 1986. A passenger cruise line which began service in late 1985 is now fully operational.

According to many prognosticators, the Palm Beaches are expected to be one of the fastest-growing counties in the nation. Completion of an interstate highway, a major airport expansion, proposals for a convention center and several large-scale industrial commercial projects reflect a strong growth potential. This potential is recognized by lodging developers, and we expect hotel development in the area to accelerate in the next few years.

The Space Coast: Brevard County is considered Florida's Space Coast, and is home to NASA's Space Shuttle and the Kennedy Space Center. The four lodging markets which comprise the Space Coast have shown varied results for 1985, and equally varied expectations for 1986.

The Titusville and Cocoa areas are similar in that both are dominated by budget facilities. Both markets achieved

just under 60 percent occupancy in 1985 at rates averaging approximately $32. Only moderate improvement is expected in 1986, and there is little new development proposed in these areas.

In contrast, Cocoa Beach has experienced strong performance, with occupancy levels averaging approximately 75 percent at an average room rate of approximately $45. While demand levels are expected to experience strong growth in 1986, occupancy levels should fall to the high 60s range due to supply additions. Nonetheless, prospects for continued growth are favorable for Cocoa Beach, which provides oceanfront lodging within a 60-minute drive of Disney World.

The Melbourne area is the focal point for high-tech industries related to the space program and defense contracting. The area lodging market is composed of moderate facilities that rely heavily on these industries. A slump in the semiconductor industry during 1985 caused severe cutbacks and layoffs by the area's largest employer. While lodging demand increased by about 4 percent in 1985, occupancies fell from 70 percent in 1984 to 63 percent as a result of an expanding supply.

Lodging demand is expected to experience double-digit growth during the next few years, resulting from anticipated improvement in the semiconductor industry and the awarding of a $600 million, five-year defense contract to another area employer. However, the lodging supply is expected to grow even faster, and we expect market occupancies to fall further in 1986. We also expect this market to diversify. Over time, new properties slated for development on Melbourne Beach will evolve to a separate market sector with a resort orientation.

John N. Johnson IV
West Palm Beach

From the Panhandle (Destin/Fort Walton Beach)

The year 1985 was relatively slow for hotels and lodging facilities throughout the Panhandle area, from Panama City west to Pensacola. Lodging facilities along the "Emerald Coast" depend almost entirely on tourism-related demand originating from states within an approximate 500-mile radius of the area. According to industry representatives, this tourism-related demand was down in 1985 due to several key factors:

- Generally poor weather conditions during the summer and fall months. In particular, hurricanes Elena and Juan disrupted vacation plans for many people throughout the southeast region of the United States during several peak vacation periods.
- A depressed economy in the oil producing states of Texas and Louisiana, perennially two of the strongest tourist markets for lodging facilities throughout Florida's northern Gulf coast.

The Emerald Coast, including the cities of Destin and Fort Walton Beach, is continuing as one of Florida's leading growth markets in terms of real estate development and lodging demand. Despite the reports of a decline in tourism in the Panhandle's coast in 1985, hotels in Destin/Fort Walton Beach area experienced only a modest decrease in occupancy compared with the previous year. The overall occupancy projected for hotels in this market area for the year 1985 was approximately 50 percent compared with an estimated 55 percent for this area in 1984. The modest decrease in occupancy is considered to be the result of the addition to supply of the 400-room Hilton and the 175-room Bayside Hotel, both located at the Sandestin Beach Resort.

The average room rate for the market area was projected to be approximately $64, an increase of nearly $5 compared with the average rate achieved in 1984. The increase in rate was directly attributable to the new Hilton and Bayside hotels. Both are higher rated than the existing beachfront hotels, which effectively increased the average rate for the entire market area. In contrast, the existing beachfront hotels have reported minimal or no increases in their average rates for 1985 compared with 1984.

The Destin/Fort Walton Beach area has witnessed tremendous growth in beachfront lodging facilities during the last two years. In addition to the new hotel developments, over 1,000 condominium units, contained in a variety of projects, were completed in the latter part of 1984 and early 1985, with many of these units being included in some form of a rental program. The tremendous growth in the condominium rental supply in this area has caused increased competition between all lodging facilities, the result of which has been a rapidly changing rental environment that has compelled most condominium managements to become more aggressive and innovative with their rental programs. The average rental rates for beachfront condominiums have remained relatively flat since 1983, with the current rate structure competitive with most market area hotels. Also, condominiums are beginning to provide amenities traditionally offered only by hotels in an effort to attract the transient guest as well as typical longer-term vacationers. Several of the newer facilities now offer daily room rentals as opposed to the one-week minimum that was standard in the past. Also being included are amenities such as a 24-hour front desk and reservation capabilities, extra personnel for check-in and baggage assistance, and daily maid service for short-term guests. If competition continues, more and more condominium facilities may begin to include such amenities to help diversify their potential guest markets and increase rental occupancies.

At present, there is evidence that condominium development has at least hit a temporary peak. Several major beachfront condominium projects that were due to be under construction sometime in 1985 have been delayed indefinitely due to slow real estate sales and the prospect of marginal rental performance. However, hotel development is continuing with the recent announcement of a proposed 444-room hotel to be located on a beachfront site in Destin. The project is to be constructed in two phases of 222 rooms each with Phase I due to begin in early 1986. Completion is expected by mid-1987. At total build out, this project is to contain a variety of food and beverage facilities, meeting rooms, retail and office space.

Despite the relatively slow year in 1985, the outlook for lodging facilities in 1986 is cautiously optimistic. Tourism in the area should rebound if weather and economic conditions improve and as recent marketing efforts employed by tourism-related industries in the area take effect. A proposal for the enactment of a "bed tax" is now being discussed before the Destin City Council. If enacted, this tax, to be levied as a percent of rentals and room sales from all lodging facilities, would increase the dollars available to help mar-

ket the Emerald Coast as a vacation destination.

Tom Huegel
Chuck Ross
Tampa

From Sarasota/Bradenton

Hotels in the Sarasota/Bradenton area reported a relatively stable year in terms of lodging demand in 1985. For the market area, the annual occupancy in 1985 is estimated to be approximately 60 percent, down slightly from the 61 percent occupancy achieved in 1984.

Hotels in both the beach and highway market sectors experienced a slight decrease in room-night demand. According to area hoteliers, the decline is due in part to a strong U.S. dollar abroad that has kept Canadian and European visitors at home as well as increased competition from other nearby tourist destinations such as Orlando and the Lee County area, which includes Captiva and Sannibel Islands and Ft. Myers Beach.

The average rate for the market area is projected to be approximately $66, an increase of approximately 3 percent compared with the previous year. However, this rate increase was experienced primarily by hotels in the beach market sector. The projected average rate for hotels in the beach sector is approximately $81, up nearly 4 percent over 1984. In contrast, hotels along U.S. Highway 41 in Sarasota and Bradenton have experienced stable or lower average rates in 1985. The projected average rate for this sector is approximately $38, down nearly 3 percent from 1984.

This year, a number of new hotels will open in the area, primarily along U.S. 41 stretching from Bradenton south to Sarasota, including:

- A 79-room Econo Lodge, located approximately three miles north of the Sarasota-Manatee County Airport at the new U.S. Highway 301 and north U.S. 41 junction in Manatee County.
- A 97-room Hampton Inn, located approximately one-half mile south of the airport along north U.S. 41 in Sarasota. This project is scheduled to begin construction in February with completion by November 1986.
- A 72-room Comfort Inn has been proposed for a site just south of the proposed Hampton Inn and adjacent to the existing Day's Inn—Sarasota. Construction is expected to begin in early 1986 with completion in the fall of 1986.
- A 145-room Marriott has been rumored for a site adjacent to and south of the Sarasota-Manatee County Airport. Marriott Corporation has won approval from the Sarasota-Manatee Airport Authority for construction of the hotel, which at this time is contingent upon the Authority issuing low-interest bond money to help finance construction.
- A 132-room Day's Inn in south Sarasota along South U.S. 41. Ground clearing has begun with construction expected to begin in spring and the hotel to open by late 1986.

This is a welcome development for most everyone involved in the area's tourism industry, since the last four years have seen a decline of over 700 hotel and motel rooms in Sarasota County. The hotels proposed for construction in 1986 will be the first new hotels in Sarasota County since 1979.

Two other major hotel projects that were previously announced have run into problems and are at least temporarily on hold.

- The 250-room Radisson Hotel, that was to be included in the Barnett Bank Plaza currently under construction in downtown Sarasota, has been delayed indefinitely. According to local industry representatives, the entire mixed-use project has changed ownership control and, as a result, has left the hotel portion of this project in limbo. At this time, it is unknown whether Radisson, which has closed its local sales office, will continue to participate, or whether another hotel company will develop the property.
- A 300-room convention-oriented hotel proposed for a site on Lido Key in Sarasota has also been delayed indefinitely. This project was originally to begin construction by mid-1985, but persistent problems including opposition from local residents, zoning and regulatory problems and the recent illness of one of the project's key partners, have stalled the project for the present time.

In addition to the hotel projects discussed, several other developments that are either under construction or proposed for locations in Sarasota should add spark to the area's tourism industry. The projects include:

- The Sarasota Quay and Main Street Plaza retail complexes located on separate sites near downtown Sarasota. Both projects are upscale and unique in design and are to contain over 80 specialty shops, with Maas Brothers signed as the anchor tenant for the Main Street Plaza. Although both projects have experienced recent construction delays, each should be completed by mid-1986.
- The proposed Burt Reynolds Theatre, Inc., a primary production facility for television and theatre to be located on a 10-acre site at the Ringling Museum grounds near the airport in north Sarasota. The facility is to include a 900-seat theatre/studio with video taping capabilities, a 400- to 450-seat theatre to replace the present Asolo Theatre for theatrical productions only, and a state-of-the-art video studio for television and movie production. Also planned is the ability to conduct tours to attract audiences to the complex. This $10 million project is a combined effort between the local Sarasota community, which is raising $3.5 million through local fund raising efforts, the state of Florida, which has allocated $5.5 million in state funds, and actor Burt Reynolds, who has personally donated $1 million. Construction is expected to begin by September 1986 with completion near the end of 1987. This facility should provide a major impetus in generating additional tourism to the local market area.

Tom Huegel
Chuck Ross
Tampa

From Tallahassee

The lodging industry in greater Tallahassee remained relatively stable in 1985. Market area occupancy declined slightly, while the composite average room rate posted a small gain.

The lodging market sector that experienced the greatest change was the Interstate 10 (I-10)/U.S. Highway 27 (U.S. 27)

corridor. During 1985, this market sector's supply of available rooms increased by over 700 new rooms. The new projects completed in 1985 include the following: a 50-room addition to the Holiday Inn-North; a 52-room American Inn; a 109-room Red Roof Inn; a 124-room Las Casas Motor Inn; a 200-room Ramada Inn-North; a 75-room Best Inn, and a 123-room Knight's Inn.

There are no other additions to supply currently under consideration for this market sector.

The remaining three market sectors are U.S. Highway 27 East, U.S. Highway 90 and downtown. These sectors rely primarily on the state capital's and legislature's commercial activities. During 1985, the market area occupancies and average room rates for these sectors were relatively stable compared with 1984 and experienced little impact from the new hotels developed in the I-10/U.S. 27 sector or by the recent opening of the new Leisure Inn at Highway 27.

New hotel development activity includes the following:

- A 99-room Leisure Inn, opened August 1985, on U.S. Highway 27.
- The old Duval Hotel located on U.S. Highway 27 is undergoing a complete renovation and will become a 116-room Radisson. It will reopen January 1987.
- A 130-room La Quinta, scheduled for completion in mid-1986, on U.S Highway 27.
- A proposed 90-unit, all-suite hotel in downtown Tallahassee, projected to open in 1987.
- A proposed 147-room Marriott-Courtyard, on U.S. Highway 27, with a projected opening of mid-1987.

Additionally, the Downtown Improvement Authority has moved forward on its plans to develop a headquarters hotel near the Tallahassee/Leon County Civic Center.

Kathy Phillips
Chuck Ross
Tampa

From Tampa/St. Petersburg/ Clearwater

The greater Tampa Bay's hospitality industry exhibited continued strength and stability during 1985. The annual occupancy for 1985 is estimated to be approximately 65 percent compared with 66 percent in 1984. The 1985 market area average room rate is estimated to be $47.75 compared with $47.25 in 1984.

Overall, most hoteliers reported that occupancy and average room rate increased through August 1985 compared with the same eight-month period in 1984. However, Labor Day weekend was ushered in by Hurricane Elena, which caused all hotels on the Pinellas County beaches and the waterfront areas of Tampa to evacuate their guests for two to four days. Additionally, the damage and continued hurricane activity in the Gulf of Mexico affected tourism traffic to the Tampa Bay area through the month of November. Therefore, year-end market area occupancy for the Tampa Bay area in 1985 was down slightly from the 1984 occupancy level.

In Pinellas County, the most active sector for new development is the Mid-Pinellas County market area, commonly called the "Gateway" area. During the past few years, office, industrial and service center parks have rapidly been developed and absorbed by new and relocating companies to the Tampa Bay area. There are several more projects planned, including:

- *Carillon* corporate headquarters park. The 180-acre project will include 2.3 million square feet of space for office, retail, light manufacturing and research/development projects. There would also be two hotels with a total of 750 rooms. Construction is scheduled to begin in 1986, with completion of the project by 1991.
- *Gateway Centre* complex, a $500 million project to include 5.8 million square feet of office, retail and light industrial projects. Additionally, two hotels are planned for a total of 600-700 rooms. The project will have an eight-to-ten year build-out, with construction proposed to begin in 1986.

The remainder of Pinellas County has experienced slow to moderate levels of development activity. Downtown St. Petersburg has been undergoing significant new and re-development of office space. The only major hotel in downtown St. Petersburg, the Bayfront Concourse, closed in bankruptcy in mid-1985 leaving the new 30-room Presidential Inn to accommodate the corporate/commercial travelers. The Pinellas County beaches have remained the strongest market sectors in performance, with new development being limited by lack of available land on the "Suncoast." North Pinellas County has experienced substantial development of retail and residential support services.

In Hillsborough County, the Airport/Westshore market sector has experienced the most active development activity. Since 1983, the supply of first-class office space has increased approximately 75 percent through year-end 1985. Leasing activity has more than doubled in this market sector, but it will take the next few years to absorb the newly opened and planned projects into the existing supply. The current hotel projects, either under construction or planned for this market sector, are listed in the accompanying table (p. 9).

In downtown Tampa, Phase I of the $150-million Harbor Island project, which includes specialty retail office space and a 300-room luxury hotel, was completed July 1985. Future plans for the 177-acre island include additional office and retail space, condominiums and residential housing. Downtown Tampa is also receiving over one million square feet of new, first-class office space with the construction of the Ashley and Barnett Plazas. Additionally, the $262 million Tampa Convention Center will be developed at the southern end of downtown Tampa. It will include approximately 290,000 square feet of meeting space and a 600-room hotel in Phase I, which is scheduled for completion by spring 1990.

The completion of Interstate 75 (I-75) through North and East Tampa by mid-1986 has stimulated numerous commercial, industrial and research/development parks, including proposed new hotel developments. Most projects are scheduling their completions to correlate with the opening of the I-75 corridor or soon after. Some of the new projects planned for the North Tampa quadrant of I-75 include:

- *Tampa Telecom Park*, a 326-acre high-technology park consisting of office, industrial, service center, commercial retail space and a 350-room hotel. It is located along the I-75 corridor between Fletcher and Fowler Avenues. Phase I is currently under construction.
- *Tampa Technology Park*, a 1,756-acre professional technical office park, is

proposed to contain 10 to 12 million square feet of space and be developed over a 25- to 30-year time period. It is located at the intersection of State Road 581 and I-75.

- *Hidden River Corporate Park*, a 474-acre mixed-use development located north of Fletcher Avenue between the Hillsborough River and I-75. Current plans for Phase I of development will include 75,000 square feet of office and 50,000 square feet of research/development space, completed by mid-1987. This project will include approximately 1.1 million square feet of space within five years and include two hotels by buildout.

East Tampa has had continued development of the existing Sabal Industrial Park, Corporex Park and Interstate Business Park, as well as several newly proposed projects.

Overall, initial indicators of the lodging industry in the greater Tampa Bay area point to a good year for tourism in 1986 and the continued growth of commercial/corporate activity. With the hotel additions to supply scheduled to open during 1986, market area occupancies are expected to decline temporarily while the new available rooms are absorbed into the existing supply. However, the strength, vitality and continued economic growth of the greater Tampa Bay area, will aid in the continued growth of room-night demand for area hotels.

Kathy Phillips
Chuck Ross
Tampa

Pinellas County
(Proposed Additions to Supply by Sector)

	Number of Rooms	Projected Opening Year
Mid-Pinellas County		
La Quinta	118	1986
Days Inn	120	1987
Hampton Inn	118	1987
Sunwood Inn	119	1987
Residence Inn	80	1987
Pinellas County Beaches		
No known additions		
Downtown St. Petersburg		
Vinoy Hotel re-opening	347	1988
North Pinellas County		
No known additions		

Hillsborough County
(Proposed Additions to Supply by Sector)

	Number of Rooms	Projected Opening Year
North Tampa		
Embassy Suites	128	1986
East Tampa		
Budgetel	102	1986
Red Roof Inn	98	1986
Best Western	150	1987
Holiday Inn—Sabal Park	265	1987
Hyatt-200	200	1988
Downtown Tampa		
Convention Center Hotel	600	1988-89
Airport/Westshore		
Residence Inn	176	1986
Embassy Suites	263	1986
Pickett Hotel	200	1986
Tampa Plaza Hotel	287	1986-87
Hampton Inn	133	1986-87
Marriott-Courtyard	147	1987
Hyatt-Bayport Plaza	446	1987-88
TampaSphere	500	1988-90

THE FLORIDA LODGING INDUSTRY—1985

by Mark A. Orlinsky
Research Division
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Foreword

This is Laventhol & Horwath's eleventh annual in-depth analysis of the Florida lodging industry. The information in this series of reports provides an understanding of the operating characteristics of the industry for the preceding year and is useful in analyzing trends in revenue and expenses over successive time periods. In addition, this information is useful as a guide for comparing the operating performance of individual establishments with that of comparable properties.

The information contained in this study was derived from contributors to the 1985 editions of Laventhol & Horwath's *U.S. Lodging Industry, U.S. Economy/Limited-Service Lodging Industry* and *All-Suite Lodging Industry*. After careful review for reasonableness and accuracy, 76 questionnaires were used in compiling data for this study.

In our continuing efforts to upgrade the quality and usefulness of this report, a number of exhibits have been modified to provide the reader with a clearer presentation of data. With these changes in mind, the reader should be careful when comparing this report with previous editions.

The statistics presented in this report have been computed on the three most common bases used to analyze the operating results of lodging enterprises: annual amounts per available room, ratios to room sales and ratios to total sales. Most of the figures are medians and upper and lower quartiles and do not necessarily add to the totals shown. Each line item has been analyzed separately and the medians are based on the information submitted for that line item only, since all establishments did not report data for each line. For a more detailed explanation, see Appendix V, "Understanding Medians & Means" (p. 26).

Laventhol & Horwath makes no attempt to set or conform prices or operating ratios for the lodging industry. The amounts and ratios contained in this report should not be considered standards for any type of property or region; they should be used only as a guide when analyzing the operating results of a specific property.

Laventhol & Horwath would like to take this opportunity to thank the lodging chains and properties throughout Florida which participated in the production of this report. Without the continued support of concerned lodging operators, this report and the valuable information it provides would not be possible.

Review

While many areas of the country have been unable to absorb the rapidly increasing supply of new hotel rooms, the state of Florida appears to be one of the exceptions. Markets such as Orlando, Miami and Tampa have had significant additions to the supply of available rooms with little to no negative effect on occupancies and average rates.

The State has been able to avoid the overbuilding that other areas of the country have experienced by the tremendous growth in corresponding demand. Both internal and external factors have played a part in this growth.

Florida has benefited as much as any state from the strong national economy. Leisure travel, traditionally a large portion of Florida's tourism industry, has been boosted by the increase in discretionary income to spend on vacations. The cost of travel, by air and automobile, has continued to drop and, along with competitive room rates, has made Florida a popular destination. Tourist attractions such as EPCOT Center and Disney World continue to attract record crowds each year and have spurred additional areas of demand around them.

Florida has and will continue to attract a larger share of the business market. With the relocation of many Northern firms, particularly in high-tech and engineering fields, cities such as Tampa are absorbing office space as it enters the market. The new business and the population growth that accompanies it has increased lodging demand. Additionally, new resort hotels are being built with amenities geared toward attracting business travelers.

Convention business has expanded throughout the state, and new convention centers are under construction in several cities. With top notch facilities, Floridian cities should be able to compete effectively with other cities by offering family attractions which could be visited while a spouse is attending a convention.

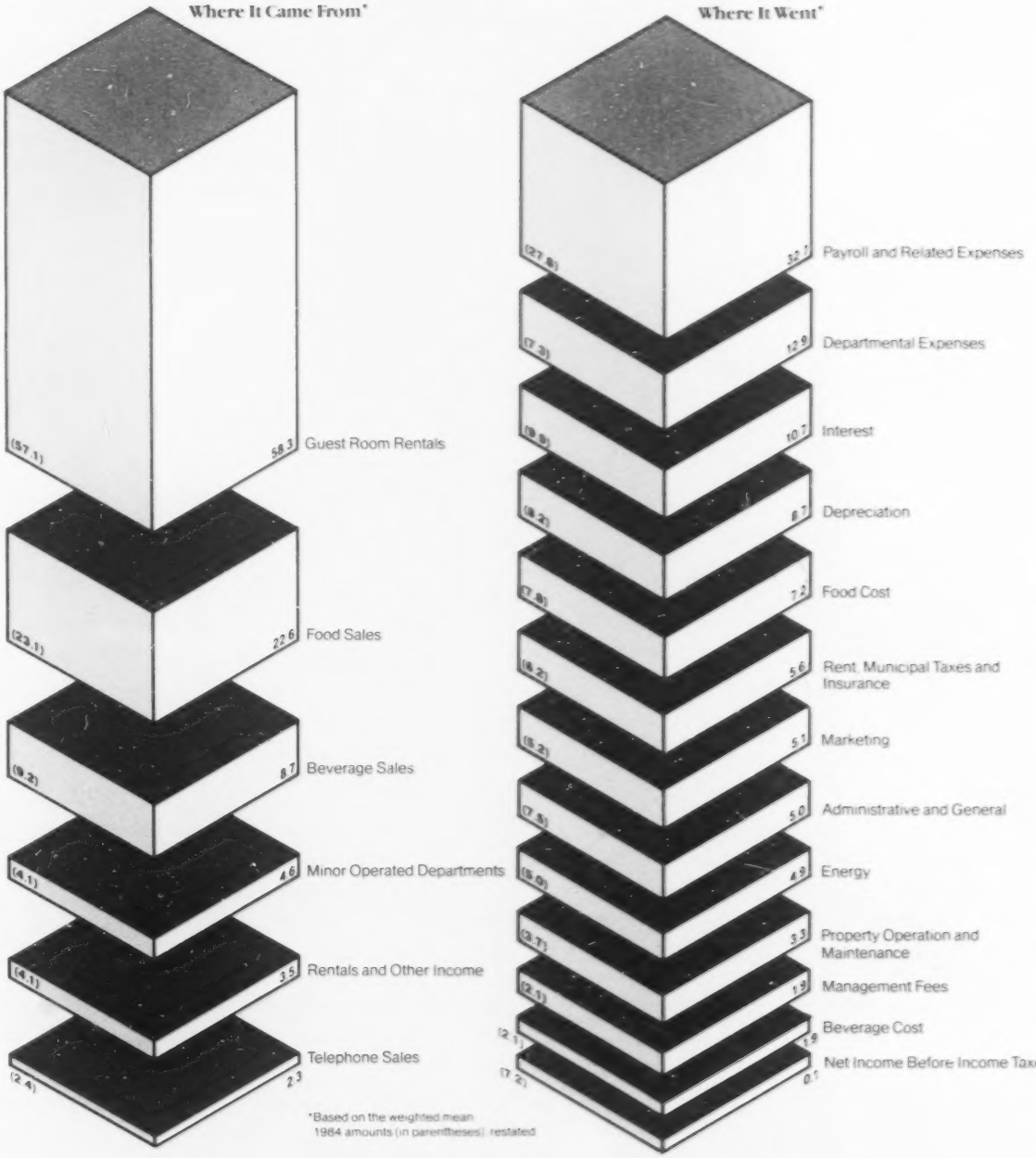
As one of the few states in the country that has not suffered from significant market saturation in 1985, Florida appears well situated to continue this trend in the next few years.

Highlights

- Statewide occupancy was reported at 65.5 percent in 1985.
- The average daily rate per occupied room was $51.06 in 1985.
- Total revenue on a per available room basis was $12,157.
- Net room revenue as a ratio to total sales was 72.5 percent.

Chart 1

The Florida Lodging Industry Dollar 1985



*Based on the weighted mean. 1984 amounts (in parentheses) restated.

Exhibit 1
1985 Florida Trend Summary

	Occupancy		Room Sales Per Occupied Room	
	1985	1984	1985	1984
[1]**Greater Orlando**	66.0%	68.4%	$ 51.35	$ 52.40
Circus World	63.4	65.7	31.74	32.80
U.S. Highway 192	69.9	70.9	47.49	51.21
Kissimmee	60.5	56.8	31.22	37.18
Exit 65	54.7	56.1	28.61	31.31
Lake Buena Vista	75.4	75.2	90.65	89.11
Florida Center/Int'l Drive	64.2	67.2	45.85	47.62
Airport/South Orange Blossom Trail	65.6	67.1	47.51	44.79
Orlando CBD	58.2	66.5	44.51	42.62
Altamonte Springs	59.7	69.9	41.79	41.82
[2]**Tampa Bay**	64.7%	65.3%	$ 47.65	$ 47.32
Clearwater Beach	70.5	70.1	61.97	58.52
Airport/Westshore	63.6	66.3	45.58	46.04
East Tampa	70.5	68.9	35.49	35.74
St Petersburg Beach	66.2	68.7	55.18	54.50
Other Pinellas County	61.2	58.8	45.25	44.48
[3]**South Florida**	62.9%	59.3%	$ 72.86	$ 70.74
Palm Beach	67.0	66.1	109.40	101.39
Broward	62.4	57.8	56.41	56.30
Miami Beach	59.3	56.3	79.37	76.39
Downtown Miami	60.2	54.5	54.42	55.30
Miami Int'l Airport	67.3	60.7	56.69	54.88

[1]Source: *Greater Orlando Trend of Business*, December, 1985.
[2]Source: *Tampa Bay Trend of Business*, December, 1985.
[3]Source: *South Florida Trend of Business*, December, 1985.

Exhibit 2
Market Data*

	All Establishments	Occupancy Rate				
		Under 50%	50–59%	60–69%	70–79%	Over 80%
Source of Business						
Foreign	14.1%	22.9%	9.1%	12.5%	14.4%	12.3%
Domestic	85.9	77.1	90.9	87.5	85.6	87.7
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Percentage of Repeat Business	32.3%	26.1%	30.0%	44.5%	24.6%	36.7%
Composition of Market						
Leisure	59.2%	66.0%	57.1%	49.9%	64.7%	67.5%
Business/Government	19.7	14.6	27.8	20.3	15.0	21.3
Conference Participants	14.7	10.6	9.6	18.6	18.9	11.0
Other	6.4	8.8	5.5	11.2	1.4	0.3
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Percentage of Guests with Advanced Reservations	67.6%	64.6%	47.8%	63.4%	89.7%	73.3%
Advanced Reservation Mix						
Direct Inquiry	39.6%	35.0%	36.1%	55.7%	30.9%	40.0%
Reservation Systems	28.1	24.6	37.2	26.0	31.8	20.0
Travel Agent & Tour Operator	23.6	24.4	16.6	16.8	27.4	33.7
Hotel Representative	7.7	14.5	8.4	1.4	8.4	6.2
Transportation Company	1.0	1.5	1.7	0.1	1.5	0.1
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

*All figures are means.

Exhibit 3
Distribution of Sales*

	All Establishments	Average Room Rate		
		Under $40.00	$40.00–$60.00	Over $60.00
Sales Distribution				
Cash Sales	42.5%	47.3%	44.5%	36.1%
Credit Card Sales	45.3	46.2	45.2	44.3
All Other Credit Sales	12.2	6.4	10.3	19.6
Total	100.0%	100.0%	100.0%	100.0%
Percentage of Cash Sales From Travel Agents & Tour Operators	35.1%	23.3%	45.6%	38.3%
Percentage of Credit Card Sales by Card				
American Express	44.8%	32.5%	47.8%	48.1%
Visa	26.0	32.4	25.7	20.7
MasterCard	21.8	28.9	20.7	15.8
Diner's Club	5.3	5.1	4.8	6.8
Other	1.3	1.1	1.0	2.6
Total	100.0%	100.0%	100.0%	100.0%

*All figures are means.

Exhibit 4
Occupancy and Average Rate

	All Establishments		
	Lower Quartile	Median	Upper Quartile
Average Room Rate	$36.70	$51.06	$66.89
Average Room Rate (Per Guest)	$17.32	$43.20	$72.32
Occupancy	55.7%	65.5%	72.2%
Double Occupancy	36.3%	77.0%	100.9%

Exhibit 5
Occupancy—By Selected Criteria*

	Percentage of Occupancy	Percentage of Double Occupancy	Average Room Rate
Average Rate			
Under $40.00	60.8%	89.8%	$32.69
$40.00–$60.00	69.9	**	50.29
Over $60.00	60.3	65.3	77.38
Location			
Center City	64.6%	65.9%	$43.59
Suburban	62.8	**	33.31
Airport	62.0	**	60.59
Highway	57.9	**	38.24
Resort	68.4	78.0	59.40
All Establishments	65.5%	77.0%	$51.06

*All figures are medians.
**Insufficient response.

Exhibit 6
Sales Per Guest Day

	All Establishments		
	Lower Quartile	Median	Upper Quartile
Rooms	$16.70	$35.18	$51.19
Food & Beverage	9.65	22.43	43.29
Telephone	.62	1.06	2.44
Minor Departments	.08	.74	4.25
Rentals & Other Income	.23	.48	1.14
Total	$26.63	$40.26	$91.45

Exhibit 7
Composition of Sales*

	All Establishments	Location of Property					Average Room Rate		
		Center City	Suburban	Airport	Highway	Resort	Under $40.00	$40.00–$60.00	Over $60.00
Rooms	72.5%	74.3%	79.5%	60.3%	81.4%	71.0%	86.3%	75.2%	58.4%
Food	14.7	14.1	11.7	23.5	9.9	14.2	6.5	13.2	23.0
Beverage	6.3	7.1	4.5	9.9	4.2	6.4	1.8	7.0	9.5
Telephone	2.3	3.3	2.1	2.9	1.8	1.9	2.6	2.0	2.2
Minor Operated Departments	2.2	0.3	1.4	1.1	0.4	3.8	1.1	0.6	4.5
Rentals & Other Income	1.9	0.9	0.8	2.3	2.3	2.7	1.7	2.0	2.4

*All figures are means.

Exhibit 8
Rooms Department
Median Amount Per Room and Ratio to Total Sales

	All Establishments	Size of Property		
		Under 150 Rooms	150–299 Rooms	Over 300 Rooms
Amount Per Room				
Revenue				
Room Sales	$12,355	$10,954	$11,508	$14,596
Allowances	124	55	147	129
Net Revenue	$12,157	$10,496	$10,881	$14,967
Expenses				
Payroll & Related	2,106	1,663	2,007	2,746
Travel Agent Commissions & Reservation Expense	246	118	219	564
Contract Cleaning, Dry Cleaning, Linen & Laundry	253	225	225	416
Operating Supplies	282	268	184	373
All Other Expenses	266	290	233	289
Total Departmental Expenses	3,206	2,873	3,101	4,410
Net Departmental Income	$ 8,568	$ 6,445	$ 7,919	$10,939
Ratio to Total Sales				
Net Revenue	72.5%	91.7%	72.4%	59.4%
Payroll & Related Expenses	12.5	15.3	12.4	10.2
Net Departmental Income	54.2	62.7	53.8	42.5

Exhibit 9
Ratios to Total Food and Beverage Sales*

	All Establishments	Location of Property				
		Center City	Suburban	Airport	Highway	Resort
Sales						
Food	69.4%	74.1%	66.9%	69.0%	71.2%	69.8%
Beverage	30.9	29.1	33.6	31.0	28.8	31.6
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Cost of Sales						
Food	35.5%	33.0%	38.0%	36.8%	37.3%	36.1%
Beverage	23.1	24.9	25.8	24.5	22.9	22.9
Total	31.0%	30.1%	36.2%	32.5%	32.5%	30.2%
Gross Profit	69.1	70.8	63.8	67.5	67.5	69.8
Public Room Sales	2.2	2.8	**	2.8	3.6	0.5
Other Income	1.0	0.9	**	0.7	**	4.5
Total	71.9%	74.1%	64.5%	71.9%	67.9%	71.8%
Departmental Expenses						
Payroll & Related Expenses	39.8%	42.5%	43.4%	38.8%	34.5%	39.0%
China, Glassware, Silver & Linen	1.4	1.6	1.0	0.8	0.9	2.0
Contract Cleaning	0.3	0.2	0.2	0.5	0.7	0.3
Laundry & Dry Cleaning	0.9	0.8	1.8	0.7	1.0	0.9
Operating Supplies	2.5	3.0	2.4	3.3	2.4	2.4
Uniforms	0.3	0.3	0.4	0.3	0.4	0.3
All Other Operating Expenses	4.4	3.8	3.4	4.2	11.8	4.1
Total	56.5	52.7	57.8	51.4	55.0	68.4
Total Department Income	13.8%	24.1%	8.5%	20.4%	12.8%	7.4%

*All figures are medians.
**Insufficient response.

Exhibit 10
Food and Beverage Statistics*

	All Establishments	Average Room Rate		
		Under $40.00	$40.00–$60.00	Over $60.00
Food Sales—By Facility				
Amount Per Available Room				
Dining Room	$2,713	$2,005	$1,932	$3,620
Room Service	379	••	323	583
Banquet	1,892	456	1,094	3,896
Bar/Lounge	38	15	176	24
Total	$4,620	$1,901	$3,240	$7,691
Ratio to Total Food Sales				
Dining Room	60.2%	88.6%	67.7%	47.6%
Room Service	7.0	••	4.2	7.0
Banquet	34.4	19.5	22.6	41.1
Bar/Lounge	1.8	••	5.3	0.3
Amount Per Seat				
Dining Room	$4,258	$3,607	$3,235	$6,262
Banquet	725	300	514	1,558
Bar/Lounge	147	••	555	89
Total	$1,708	$ 475	$2,235	$3,376
Average Check				
Dining Room	$ 7.45	$ 7.20	$ 7.35	$ 8.55
Room Service	7.69	••	••	8.01
Banquet	12.38	••	10.68	13.48
Total	$ 9.35	$ 4.26	$ 7.60	$11.79
Covers Served Per Seat				
Dining Room	793	702	559	811
Banquet	76	9	73	125
Room Service Sales				
Per Occupied Room				
Food	$ 1.81	••	$ 1.52	$ 2.40
Beverage	.57	••	.16	.65
Total	$ 2.06	••	$ 1.68	$ 3.19
Per Guest				
Food	$ 2.29	••	••	$ 2.40
Beverage	.43	••	••	.81
Total	$ 2.96	••	••	$ 3.32

*All figures are medians.
**Insufficient response.

(continued on next page)

Exhibit 10 (continued)
Food and Beverage Statistics*

	All Establishments	Average Room Rate		
		Under $40.00	$40.00–$60.00	Over $60.00
Beverage Sales—By Facility				
Amount Per Available Room				
Dining Room	$ 680	$ 270	$ 496	$1,303
Room Service	115	**	34	138
Banquet	498	77	241	942
Bar/Lounge	1,223	620	1,087	1,691
Total	$1,845	$ 454	$1,307	$3,142
Ratio to Beverage Sales				
Dining Room	46.0%	86.8%	48.3%	34.4%
Room Service	5.1	**	5.5	5.1
Banquet	22.6	12.6	11.1	26.1
Bar/Lounge	51.2	97.1	56.1	39.5
Ratio to Food Sales				
Dining Room	24.8%	26.0%	20.7%	27.1%
Room Service	21.5	**	12.4	25.4
Banquet	24.5	17.6	25.4	25.8
Total (Including Bar/Lounge)	44.1%	40.5%	51.1%	43.1%
Amount Per Seat				
Dining Room	$1,129	$ 440	$1,347	$1,158
Banquet	204	37	155	461
Bar/Lounge	2,232	1,722	2,608	4,179
Total	$ 983	$ 385	$1,510	$1,077

*All figures are medians.
**Insufficient response.

Exhibit 11
Analysis of Administrative and General Expenses— Ratio to Total Administrative and General Expenses*

	All Establishments	Average Room Rate		
		Under $40.00	$40.00–$60.00	Over $60.00
Payroll & Related Expenses	37.8%	29.4%	33.8%	47.9%
Bad Debts	5.1	8.0	5.7	2.1
Credit Card Commissions	14.4	18.9	12.1	12.8
Data Processing Services	1.9	2.5	1.9	1.3
Insurance (General)	7.8	10.1	6.8	6.9
Licenses & Dues	1.4	2.0	0.9	1.5
Operating Supplies	4.9	4.5	5.2	5.0
Professional Fees	6.2	4.9	8.7	5.0
Security	3.3	3.8	4.8	1.6
Travel & Entertainment	3.3	4.0	3.0	3.1
All Other Expenses	13.9	11.9	17.1	12.8
Total	**100.0%**	**100.0%**	**100.0%**	**100.0%**

*All figures are means.

Exhibit 12
How the Marketing Dollar Was Allocated*

	All Establishments	Location of Property				
		Center City	Suburban	Airport	Highway	Resort
Payroll & Related Expenses	18.9%	19.4%	26.4%	29.0%	18.3%	16.1%
Sales Expenses	11.4	7.5	4.2	4.7	15.2	12.7
Advertising Expenses						
Print	15.0	3.9	5.0	17.8	14.6	19.6
Radio & TV	2.5	4.7	2.3	1.9	1.9	1.9
Outdoor	3.3	1.6	10.9	5.1	4.2	1.9
Others	14.8	20.1	10.0	12.9	6.5	16.6
Merchandising	4.1	0.1	0.2	1.8	5.5	6.7
Public Relations	2.3	1.1	2.2	1.1	2.2	2.9
Franchise Fees	13.5	13.2	21.4	7.5	22.4	10.0
All Other Expenses	14.2	28.4	16.4	18.2	9.2	11.6
Total	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**

*All figures are means.

Exhibit 13
Energy Expenses—Amounts Per Available Room and Costs Per Occupied Room Per Day*

	Amounts Per Available Room			Cost Per Occupied Room Per Day		
	Lower Quartile	Median	Upper Quartile	Lower Quartile	Median	Upper Quartile
Electricity	$560	$ 818	$1,235	$2.69	$3.48	$5.53
Fuel	80	129	204	.32	.52	1.00
Steam	48	134	236	.23	.56	.87
Water	76	140	187	.37	.60	.85
Total Energy Expenses	**$707**	**$1,126**	**$1,557**	**$3.29**	**$4.76**	**$7.01**
Total United States	**$875**	**$1,143**	**$1,479**	**$3.79**	**$4.89**	**$6.77**

*Based on those hotels supplying detail.

Exhibit 14
Management Fees

	All Establishments	Location of Property				
		Center City	Suburban	Airport	Highway	Resort
Amount Per Room						
Lower Quartile	$416	$277	$217	$ 937	$263	$ 547
Median	613	537	445	952	352	736
Upper Quartile	895	822	764	2,006	569	1,009
Ratio to Total Sales						
Lower Quartile	3.0%	3.1%	3.0%	2.9%	2.6%	2.7%
Median	3.9	3.9	4.9	3.9	4.8	3.1
Upper Quartile	4.8	5.1	5.8	6.7	5.4	4.1

Exhibit 15
Fixed Charges—Median Amounts Per Room and Ratio to Total Sales—By Selected Criteria*

	All Establishments	Size		
		Under 150 Rooms	150-299 Rooms	300 Rooms and Over
Amount Per Room				
Rent	$ 279	**	$ 734	$ 101
Property Taxes	480	355	488	782
Property Insurance	172	248	169	97
Interest Expense	2,187	1,894	2,617	2,716
Depreciation & Amortization	1,927	1,446	1,303	2,399
Total Fixed Charges	4,747	3,828	4,667	7,526
Ratio to Total Sales	31.9%	37.8%	27.9%	29.6%

*Based on those supplying detail. All figures are medians.
**Insufficient response.

Exhibit 16
Amount Per Available Room*

	All Establishments	Location of Property				
		Center City	Suburban	Airport	Highway	Resort
Average Annual Occupancy	65.6%	64.6%	62.7%	62.0%	57.9%	68.4%
Average Annual Room Rate	$ 50.29	$ 43.59	$ 33.30	$ 60.59	$ 38.23	$ 57.69
Revenues						
Rooms	$12,157	$10,177	$8,247	$14,432	$ 8,691	$14,189
Food	4,342	3,708	**	6,553	1,650	5,754
Beverage	1,940	1,815	**	3,075	696	2,094
Other Food & Beverage	178	189	**	324	**	145
Telephone	461	529	233	682	275	479
Minor-Operated	335	**	368	**	**	841
Rentals & Other Income	285	101	124	185	143	483
Total	$15,767	$10,889	$9,054	$24,553	$10,880	$20,506
Department Expenses						
Rooms	$ 3,205	2,673	2,766	4,231	2,250	,850
Food & Beverages	3,017	2,546	**	4,592	1,485	3,026
Telephone	452	432	373	732	386	455
Minor-Operated	338	50	**	**	**	708
Total	$ 7,040	$ 5,688	$3,881	$11,855	$ 4,239	$ 7,999
Department Profit						
Rooms	$ 8,568	$ 7,322	$5,401	$10,451	$ 6,668	$10,709
Food & Beverages	259	1,077	198	942	297	0
Telephone	41	66	36	105	(51)	19
Minor-Operated	22	(33)	368	**	**	28
Rentals & Other Income	285	101	124	185	143	483
Total	$ 9,695	$ 8,451	$5,220	$10,443	$ 6,948	$12,278
Undistributed Operating Expenses, Administrative & General						
Payroll & Related	$ 810	$ 662	$ 771	$ 1,279	$ 390	$ 1,316
Other	992	715	622	1,004	493	1,227
Total	$ 1,617	$ 1,636	$ 794	$ 2,226	$ 977	$ 1,847
Marketing						
Payroll & Related	$ 370	$ 198	$ 272	$ 435	$ 127	$ 697
Other	922	882	407	1,067	419	1,150
Total	$ 1,060	$ 712	$ 399	$ 1,646	$ 457	$ 1,242
Energy Costs	$ 1,125	$ 1,125	$ 657	$ 1,537	$ 593	$ 1,405
Property Operations & Maintenance	$ 876	$ 689	$ 398	$ 1,490	$ 405	$ 1,578
Total Undistributed Operating Expenses	$ 4,835	$ 4,284	$1,862	$ 6,782	$ 2,837	$ 5,834
Income Before Management Fees	4,184	3,533	2,851	3,542	4,378	5,908
Management Fees (Base & Incentive)	612	537	444	**	352	735
Income Before Fixed Charges	$ 3,982	$ 2,498	$2,818	$ 4,314	$ 3,441	$ 5,601
Fixed Charges	$ 4,747	$ 3,238	$1,912	$ 9,741	$ 3,236	$ 6,342
Income Before Income Taxes	$(1,073)	$(2,698)	$(1,030)	$(3,669)	$ 291	$(1,852)
Reserve for Capital Replacement	$ 828	**	**	**	**	**

*All figures are medians.
**Insufficient response.

Exhibit 17
Ratio to Total Sales*

	All Establishments	Location of Property				
		Center City	Suburban	Airport	Highway	Resort
Average Annual Occupancy	65.6%	64.6%	62.7%	62.0%	57.9%	68.4%
Average Annual Room Rate	$50.29	$43.59	$33.30	$60.59	$38.23	$57.69
Revenues						
Rooms	72.4%	73.0%	91.2%	59.3%	81.0%	70.6%
Food	21.2	26.4	**	21.5	16.7	20.0
Beverage	8.8	11.5	**	9.6	7.1	8.2
Other Food & Beverage	0.8	1.3	**	1.3	**	0.5
Telephone	2.5	3.5	2.2	3.3	2.3	2.0
Minor-Operated	2.3	**	4.0	**	**	2.2
Rentals & Other Income	1.7	1.0	2.1	1.4	1.1	2.3
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Department Expenses						
Rooms	18.7%	24.7%	22.0%	17.2%	17.0%	18.8%
Food & Beverage	16.3	15.9	**	19.6	12.6	14.8
Telephone	2.6	3.1	3.5	2.6	2.9	2.1
Minor-Operated	1.4	0.3	**	**	**	3.3
Total	39.2%	41.8%	39.9%	52.8%	34.6%	38.8%
Department Profit						
Rooms	54.2%	54.5%	60.3%	44.5%	57.8%	53.8%
Food & Beverage	2.2	8.5	2.2	7.4	3.0	0.7
Telephone	0.2	0.4	0.1	0.4	(0.2)	0.0
Minor-Operated	0.1	(0.2)	4.0	**	**	0.1
Rentals & Other Income	1.7	1.0	2.1	1.4	1.1	2.3
Total	60.6%	62.6%	63.8%	46.7%	64.8%	60.4%
Undistributed Operating Expenses, Administrative & General						
Payroll & Related	4.8%	5.3%	5.7%	5.8%	3.1%	4.4%
Other	5.0	5.1	5.0	4.8	4.9	5.0
Total	9.5%	9.1%	10.0%	9.4%	6.3%	10.0%
Marketing						
Payroll & Related	1.9%	1.7%	2.5%	2.0%	1.0%	1.8%
Other	4.9	6.3	4.0	5.2	3.4	4.9
Total	6.5%	6.5%	3.9%	8.3%	4.0%	6.4%
Energy Costs	6.4%	7.2%	7.8%	6.0%	5.9%	5.8%
Property Operations and Maintenance	5.3%	4.9%	4.4%	6.0%	3.7%	5.8%
Total Undistributed Operating Expenses	28.6%	31.5%	31.7%	26.9%	20.0%	29.3%
Income Before Management Fees	26.6%	25.4%	43.1%	19.5%	43.7%	24.0%
Management Fees (Base & Incentive)	3.8	3.8	4.9	**	4.8	3.0
Income Before Fixed Charges	23.2%	20.9%	32.5%	19.2%	40.7%	28.5%
Fixed Charges	31.9%	30.0%	27.5%	29.6%	37.0%	34.7%
Income Before Income Taxes	(9.6)%	(13.3)%	(10.5)%	(11.1)%	3.3%	(7.0)%
Reserve for Capital Replacement	2.4%	**	**	**	**	**

*All figures are medians.
**Insufficient response.

APPENDICES I, II & III—TECHNOLOGICAL CHARACTERISTICS

Appendix I
Technological Characteristics—Property Automation

Central Reservation System	78.7%
Computerized Back Office System	61.3
Computerized Front Office System	46.8
Point-of-Sale Terminals for F&B	35.8
Computerized Energy Management System	27.3
Electronic Car Key System	18.0
Micro-computers for Guest Usage	11.5
Automatic Checkout Machines	6.6

Appendix II
Technological Characteristics—Telephone Services

Least Call Routing System	61.3%
Direct Dial International Calls	51.6

Appendix III
Technological Characteristics—In-Room Entertainment Systems

Subscription Cable	50.9%
Satellite	27.6
In-Room Movies	15.0
Spectradyne	14.0

APPENDIX IV—GUEST SERVICES

Appendix IV
Guest Services

Free Parking	91.8%
Outdoor Pool	88.0
Personal Bathroom Amenities	78.0
Overnight Dry Cleaning	76.0
Newsstand	66.0
Game Room	64.0
Gift Shop	58.0
Airport Transportation	54.0
Audio-Visual Equipment	54.0
Auto Rental	53.1
Multilingual Staff	46.0
Concierge Services	32.7
Executive Floors	26.5
Retail Outlets	26.0
Health Club Facilities	24.0
Secretarial Service	22.0
24-Hour Doorman	22.0
Golf	20.0
Barber/Beauty Salon	18.4
Indoor Pool	18.4
24-Hour Room Service	8.2
Travel Agent on Premises	4.1

APPENDIX V—UNDERSTANDING MEDIANS & MEANS

The annual studies written by the Research Division of Laventhol & Horwath utilize medians for the majority of their reported results. This article will give an in-depth explanation on medians and quartiles, as well as briefly discuss means, along with practical uses of both.

A median is defined as the middle value of all amounts calculated for a specific line item. For example, if we received nine responses for number of full-time employees—8,4,2,6,9,7,5,1,3; these numbers would be arranged sequentially—1,2,3,4,5,6,7,8,9 and the middle value "5" would be the median since 50 percent of the responses received are below the value and 50 percent are above.

In conjunction with medians, lower and upper quartiles are used to give a further description to the sample results. Occasionally, we use means to report data, but we believe the median is the most appropriate method to report our results. This is because the median gives less biased results. Medians keep results from being skewed by one or two respondents. For example, if a few responding hotels incurred large operating losses, these losses would be divided evenly among all hotels in the sample (when using mean calculations); and bring down the average net profit of the entire group, which for the most part may have had respectable profits.

Quartiles divide the responses into four equal parts, with the median still being the middle value. The *lower quartile* is the value that separates the lowest 25 percent of the responses from the rest of the sample when arranged sequentially, while the *upper quartile* defines the boundaries of the upper 25 percent of the responses from the lower 75 percent. Stated another way, 50 percent of all responses fall between the lower and upper quartiles. For example, if we receive 99 responses for a specific item and the responses (conveniently) were numbered 1 through 99, the median (or middle value) would be 50, the lower quartile would be 25 (25 percent of the responses would be below 25), and the upper quartile would be 75 (25 percent of the responses would be above 75). Fifty percent (or half) of the responses would fall between the lower and upper quartiles. (See chart below.)

While reading this report, it should become evident that columns do not total when medians are involved. The reason behind this is EACH LINE ITEM IS ANALYZED SEPARATELY! In Table I when all amounts are arranged sequentially, the median amount per room for total revenue is $22,405. This figure is based on the 60 properties that gave us information for this specific line item.

Theoretically, if each property reported each line item, and one property happened to have the median value for each type of revenue, then the medians would total. But since not every property has a food and beverage operation, or a minor department, the sample size changes for each line item. Different sample sizes is one reason why figures do not add to the totals shown.

There is another major reason that columns do not total. When using medians, it is important to remember that the median food sales, the median beverage sales and the median total sales figures reported probably represent the results for three separate properties, even though the sample size of each may be equal. This also holds true for lower and upper quartile figures.

The terms mean, average, and arithmetic mean are all synonymous. A mean is calculated by summing the results and dividing by the number of responses. In Table II, the sum of the number of restaurant seats is 1,940. Divide this by the nine respondents and the mean (average) is 216 seats per restaurant. By comparison, the median number of seats is 140. It is obvious that the average is skewed by the two restaurants with 500 and 600 seats.

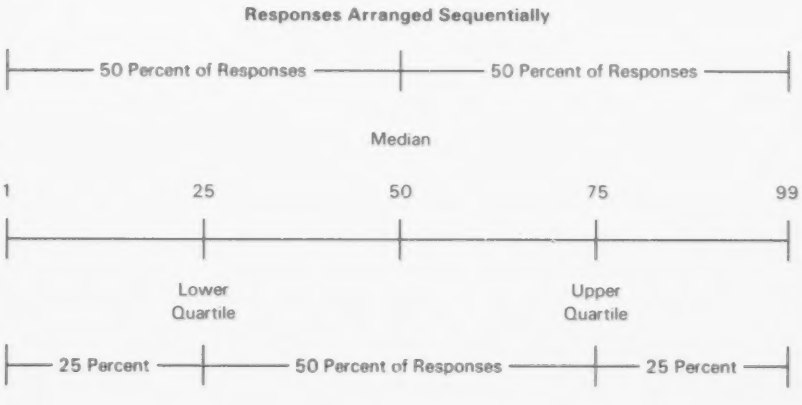


Table I

	Amount Per Suite		
	Lower Quartile	Median	Upper Quartile
Revenues			
Rooms	$13,587	$18,098	$24,130
Food	1,038	3,664	6,564
Beverage	251	1,300	3,147
Other Food & Beverage	95	180	396
Telephone	429	668	881
Minor-Operated	104	389	1,073
Rentals & Other Income	100	250	525
Total	$14,729	$22,405	$30,548

Table II
Restaurant Seating

Hotel Restaurant	Number of Seats	Average Daily Seat Turnover	Number Seats Occupied Daily (Column 1 × Column 2)
1	60	3.80	228
2	80	4.20	336
3	100	3.70	370
4	120	2.90	348
5	140	2.00	280
6	160	1.70	272
7	180	1.90	342
8	500	1.20	600
9	600	1.00	600
Total	1,940	22.40	3,376
Median	140	2.00	342[1]
Average (rounded)	216	2.49	538

[1]The median number of seats occupied daily is 342 (the middle value of column 3). Notice that this is not equal to the product of the median number of seats multiplied by the median average daily seat turnover, which is 280. It is incorrect to use medians in calculations, such as addition or multiplication.

Table II shows a group of hotels that provided information on the number of restaurant seats available. They also provided the number of guests served, so the average daily seat turnover was calculated. The average number of seats for this sample is approximately 216 (1,940 divided by 9) and the median number of seats is 140 (the middle value of all respondents when responses are arranged sequentially). The average seat turnover is 2.49 and the median is 2.00. With this information, the mean and median for the number of seats occupied daily can be calculated.

- The median number of seats occupied daily is 342 (the middle value of column 3).
- To compute the average number of seats occupied per day, multiply the average number of seats per restaurant of 216 by the average daily seat turnover of 2.49. This gives the average daily seat turnover of approximately 538. The mean number of seats is greatly influenced by the two large properties with 500 and 600 seats.

As shown, median and means both have their uses, with medians not being affected by one or two responses that vary significantly from the rest of the sample. This is the main reason the majority of our studies report the data as medians.

**The number used for sample sizes are representative and are not actual sample sizes.*

EXPLANATION OF TERMS

Room sales

Guest room revenue generated from accommodations on a part-day occupancy, full-day or longer period basis, net of any rebates and discounts. Also included are charges for maid or linen services.

Rentals and Other Income

Income from vending machine concessions and commissions, public telephone commissions, merchandise sales of postcards, souvenirs and newspapers, commissions on guest laundry, valet, meeting room rentals and all other income not included elsewhere.

Payroll and Related Expenses—Rooms Department

The salaries and wages of departmental personnel and management including: overtime, holiday and vacation pay. Also included are employee benefits and payroll taxes such as Federal, state, social security and workmen's compensation.

Payroll and Related Expenses—Administrative and General

Salaries and wages for the resident manager or managing director, secretaries, reception clerks and bookkeepers.

Undistributed Operating Expenses—Administrative and General

Expenses incurred from bad debts, credit cards commissions, data processing services, general insurance, licenses and dues, operating supplies, professional fees, security services, travel and entertainment and other related miscellaneous expenses.

Marketing

Advertising, publicity, franchise fees and other promotional expenses such as printing newspaper, magazine and billboard space and broadcasting time.

Energy

The costs of fuel, electrical current and water.

Payroll and Related Expenses—Property Operation and Maintenance

Payroll and related expenses related with the repair and maintenance of the building, furniture and fixtures and equipment, in addition to all other expenses necessary to keep the property in operating condition.

Property Operation and Maintenance

The cost of materials used in repairing equipment, the exterior and interior of the building (floors, walls, doors, furniture), grounds and landscaping, painting and decorating, the removal of waste matter and other related expenses necessary for the upkeep of the lodging facility.

Management Fees

Fees charged by a management organization for management service or supervision should be charged to the account.

Income Before Fixed Charges

Income before fixed charges is defined as total departmental revenue from all sources (rooms, minor departments, rentals and other income, and telephone) less all departmental and undistributed operating expenses. This is the income from all operations before deducting rent, property taxes, property insurance, interest, depreciation and income taxes.

PROPERTY ANALYSIS WORKSHEET

This worksheet will provide a quick analysis of how your property is performing in comparison to the industry.

Worksheet

(Use medians from exhibits)

Amount Per Available Room	Your Property	Comparison 1	Comparison 2
Average Annual Occupancy			
Average Annual Room Rate			
Revenues			
Rooms			
Food			
Beverage			
Other Food & Beverage			
Telephone			
Minor-Operated			
Rentals & Other			
Total			
Department Expenses			
Rooms			
Food & Beverage			
Telephone			
Minor-Operated			
Total			
Department Profit			
Rooms			
Food & Beverage			
Telephone			
Minor-Operated			
Rentals & Other			
Total			
Undistributed Expenses			
Administrative & General			
Payroll & Related			
Other			
Total			
Marketing			
Payroll & Related			
Other			
Total			
Energy			
Property Operations & Maintenance			
Total Undistributed Expenses			
Income Before Management Fees			
Management Fees (Base & Incentive)			
Income Before Fixed Charges			
Fixed Charges			
Income Before Income Taxes			
Reserve for Capital Replacement			

LEISURE TIME INDUSTRY CONTACTS

Laventhol & Horwath has, since its inception, specialized in providing sophisticated advisory services to all facets of the lodging industry. The Leisure Time Advisory Services practice is the largest of its kind in the country in terms of fee volume, professional staff, geographic diversification and service capability. L&H routinely serves as advisor to the nation's most prominent hotels, developers, financiers, syndicators and industrial corporations on methods used in developing, financing, managing, operating and marketing lodging properties.

The following list contains the services that L&H provides to the lodging industry as well as the contact person:

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A. U.S. Lodging Industry	$65	$165	August
B. Worldwide Hotel Industry	65	165	September
C. U.S.Economy/ Limited-Service Lodging Industry	65	165	September
D. Texas Lodging Industry	50	120	September
E. Florida Lodging Industry	50	120	September
F. California Lodging Industry	50	120	September
G. U.S. Resort Lodging Industry	50	120	August
H. All-Suite Lodging Industry	65	165	September
I. California Restaurant Operations	50	120	August
J. Lifecare Retirement Center Industry	50	120	October
K. Gaming Industry Financial Results	50	120	August
L. Lodging Compensation Survey	50	120	November